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FISCAL IMPACT STATEMENT

LS 6012

BILL NUMBER: HB 1404

NOTE PREPARED: Oct 17, 2003

BILL AMENDED:

SUBJECT: Criteria for Industrial Development Programs.

FIRST AUTHOR: Rep. Thomas

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that in deciding whether to award a loan from the Industrial Development Fund, the Department of Commerce (Department) and the State Board of Finance may not: (1) require evidence of preliminary commitments to initiate or complete any part of the program; or (2) base their decision on the presence or lack of such evidence. The bill requires the Department, in awarding grants from the Industrial Development Grant Fund, to use the same standards used for loans from the Industrial Development Fund. The bill provides that grants may be awarded for the construction or extension of utilities or public infrastructure to improve the chance of securing future commitments to collaborate on an industrial development program. It also provides that if a unit adopts an ordinance after June 30, 2004, to create an economic development district, a qualified industrial development project proposed for the district is not required to be supported by preliminary commitments to initiate or complete the project. The bill provides that the Department, in determining whether to grant a preliminary certification authorizing the creation of the district, may not base its determination on the likelihood that the proposed project will be initiated and accomplished. The bill removes obsolete references to the Corporation for Innovation Development.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The bill could potentially expand the pool of local government units and other qualified public and nonprofit entities that are able to qualify for grants and loans from the Industrial Development Grant Fund and the Industrial Development Fund. This could potentially result in increased pressure for additional appropriations in the future to these funds. In addition, the Indiana Department of Commerce (IDOC) could potentially incur some additional administrative expenses if the changes result in an increase in loan and grant applications. These expenses presumably could be absorbed given the existing budgets of these agencies. The September 4, 2003, state staffing table indicates that the IDOC has 32 vacant full-time positions, including regional office positions.

Background: The bill prohibits the IDOC and State Board of Finance from imposing certain requirements on local units, and other public and nonprofit entities, for purposes of qualifying for Industrial Development Grants and Loans. The bill prohibits the IDOC and State Board of Finance from requiring local units and other entities to provide evidence of preliminary commitments from business enterprises, associations, state or federal government units, or similar entities that demonstrate a reasonable likelihood that the proposed industrial development project will be initiated and accomplished. This change would apply only to industrial development programs submitted for approval after June 30, 2004. In addition, the bill specifically permits recipients of Industrial Development Grants to use that grant money for various development activities to improve the likelihood of securing future commitments of business or other entities to collaborate with the recipient in an industrial development program. This change would apply to grants awarded after June 30, 2004.

Under current statute, the Industrial Development Program provides for loans to cities, towns, counties, economic development commissions, special taxing districts, and small business investment companies. The loan proceeds must be used for industrial development programs including: (1) construction of airports, airport facilities, and tourist attractions; (2) the construction, extension, or completion of sewer lines, waterlines, streets, sidewalks, bridges, roads, highways, public ways, and information and high technology infrastructure; (3) the leasing or purchase of real and personal property; and (4) the preparation of surveys, plans, and specifications for the construction of publicly owned and operated facilities, utilities, and services. The loans are made from the Industrial Development Fund, which is a revolving fund that does not revert to the state General Fund. The IDOC and the State Board of Finance jointly administer the fund. Under current law, outstanding loans to a single development program, generally, can not exceed \$1 M. No money is appropriated to the Fund in FY 2004 or FY 2005. As of October 2, 2003, the Fund had a \$128,537 negative balance.

Current statute allows grants to be made from the Industrial Development Grant Fund. These grants may be made to cities; towns; counties; economic development commissions; special taxing districts; nonprofit corporations; regional water, sewage, or solid waste districts; conservancy districts; and the Indiana Development Finance Authority. Grants may be used for industrial development programs similar to those for which industrial development loans may be used. The IDOC also administers the Industrial Development Grant Fund, which does not revert to the state General Fund. Appropriations to the Fund total \$3.25 M in each of FY 2004 and FY 2005. The balance in the Fund as of October 2, 2003, was approximately \$263,968.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill could potentially increase the number of local units that qualify to establish an Economic Development District and, as a result, employ tax increment financing (TIF) within the District. This would allow the local unit to capture incremental property tax revenue generated from taxable property in the District and allocate that revenue to District purposes. (The incremental property tax revenue is revenue from assessed property valuation in excess of the base assessed value calculated before the establishment of the District.) Nevertheless, the total local revenues collected by the local civil taxing units and school corporations would remain unchanged.

Background: The bill eliminates the requirement that a local unit's proposal for an Economic Development District be supported by preliminary commitments by business enterprises, associations, state or federal government units, or similar entities that evidence a reasonable likelihood that the proposed qualified industrial development project will be initiated and accomplished. Under current statute, this requirement must be met for the IDOC to certify the local unit creating the District. The requirement would be eliminated for a District approved by a local unit after June 30, 2004.

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of Commerce, State Board of Finance.

Local Agencies Affected: Local units.

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